
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

June 16, 2008

A meeting of the Policy Subcommittee was held on Monday, June 16, 2008 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 5:15 p.m. and the following members were present:

Henry Jones, Chair
Louis F. Moret
Anne Sheehan
Charles Valdes

Policy Subcommittee members excused:
George Diehr, Vice Chair

Other Board members present:
John Chiang, represented by Terry McGuire
Bill Lockyer, represented by Steve Coony
Priya Mathur

Agenda items were taken out of order to accommodate individual schedules.

AGENDA ITEM 2 – APPROVAL OF THE APRIL 2008 MEETING MINUTES

On **MOTION** by Mr. Moret, **SECONDED** and **CARRIED** to approve the April 21, 2008 meeting minutes as presented.

AGENDA ITEM 4 – INFLATION-LINKED ASSET CLASS POLICY, Adoption of Infrastructure Program Component (Second Reading)

Anne Stausboll, Interim Chief Investment Officer, and Farouki Majeed, Senior Investment Officer, presented the item.

The following consultants were available for comment:

- Michael Schlachter, Wilshire Associates
- Allan Emkin and Judy Chambers, Pension Consulting Alliance
- Ethan Lipsig, with Paul Hastings, Janofsky & Walker LLP (by phone)

The first reading of the Infrastructure Program Component was presented to the Policy Subcommittee on April 21, 2008. Based on input at the meeting from various constituent groups and the Policy Subcommittee, staff made changes to the policy. Subsequent to the meeting, staff circulated a revised draft to interested parties and received additional comment. Staff reviewed and made changes, as appropriate, based on these comments. The revised policy was presented to the Subcommittee for the second reading.

There was discussion about additional revisions, including the following:

- Decrease leverage levels for the Infrastructure Program to no more than 65%
- Add a strategic objective to “foster renewal and expansion of infrastructure assets”
- Insert language in the Domestic Public Sector Jobs section that states “Provided that CalPERS’ fiduciary responsibilities are met, it is not the intent of this policy for these investments to result in job losses to CalPERS members.”

The following union representatives commented on the proposed policy. Issues included outsourcing, impact on public jobs, and leverage levels.

- Scott Adams, AFSCME
- Joshua Golka, Professional Engineers in California Government

On **MOTION** by Mr. Moret, **SECONDED** and **CARRIED** to recommend to the Investment Committee adoption of the Infrastructure Program Component of the Inflation-Linked Asset Class Policy, with the changes noted above.

Mr. Valdes voted no.

The proposed policy will be considered by the Investment Committee at the August 18, 2008 meeting.

AGENDA ITEM 3b – ASSET ALLOCATION, Adoption of Policy on Supplemental Income Plans (SIP) CalPERS Risk-Based and Target Retirement Date Funds

Geraldine Jimenez, SIP Division Chief, and Rick Roth, Senior Portfolio Manager, presented the item. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

In February 2008, the Investment Committee approved the creation of the custom CalPERS Asset Allocation Funds for SIP with the use of a consultant from the General Pension Consultant Spring-fed Pool to advise on their development. Callan Associates was selected for this assignment. The proposed policy is the culmination of this work.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** to recommend to the Investment Committee adoption of the Statement of Investment Policy for Supplemental Income Plans CalPERS Risk-Based and Target Retirement Date Funds.

AGENDA ITEM 7 – REAL ESTATE, Revision of Policy on Equity Real Estate

Ted Eliopoulos, Senior Investment Officer, presented the proposed revised policy which incorporates 2007 Strategic Plan recommendations to adopt a portfolio benchmark that represents a blend of two indices. The indices are:

- The National Council of Real Estate Investment Fiduciaries Index (NCREIF) Property Index (NPI)
- The Financial Times Stock Exchange European Public Real Estate Association National Association of Real Estate Investment Trusts (FTSE EPRA NAREIT) Global Total Return Real Estate Index.

On **MOTION** by Ms. Sheehan, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Equity Real Estate.

AGENDA ITEM 6 – POLICY REVIEW AND CONSOLIDATION PROJECT, Proposed Real Estate Policies Project Strategy

The Subcommittee accepted the information report. As part of the Investment Office Policy Review and Consolidation Project and the 2007 Real Estate Strategic Plan, a comprehensive review of Real Estate policies is underway. Proposed revised policies will be presented at the October 2008 Policy Subcommittee meeting.

AGENDA ITEM 5 – GLOBAL EQUITY, Revision of Global Principles of Accountable Corporate Governance

Eric Baggesen, Senior Investment Officer, presented the item. Staff recommends that the Corporate Responsibility section of the Global Principles be amended to include reference to the 14-point Ceres Climate Change Governance Checklist.

On **MOTION** by Ms. Sheehan, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Global Principles of Accountable Corporate Governance.

AGENDA ITEM 3a – ASSET ALLOCATION, Adoption of Policy on Affiliate Funds and Repeal of Policy on Annuitants' Healthcare Coverage Fund

This item was deferred to the August Subcommittee meeting.

AGENDA ITEM 8 – DRAFT AGENDA FOR AUGUST 2008

The Subcommittee accepted the proposed August 18, 2008 agenda.

AGENDA ITEM 9 – PUBLIC COMMENT

There were no additional public comments.

The meeting was adjourned at 6:20 p.m.

The next Subcommittee meeting is scheduled for August 18, 2008 at a time to be determined in Sacramento, California.